

2010 VITA Grant

Matching Funds

TCE/VITA Grant Orientation Conference
December 2-3, 2009

Presented by
Debbie Matthews, Senior Tax Analyst
Grant Program Office


12/1/2009



1

Key Points

- A dollar-for-dollar match is required for the VITA Grant
- Matching and cost sharing are used interchangeably
- Grant recipients are responsible for ensuring documentation is maintained
- Non-federal funds used for matching on a federal grant cannot be used on another federal grant
- In general, federal grants cannot be used as matching funds




12/1/2009 2

Key Points

- A dollar-for-dollar match is required for the VITA Grant; there is no match requirement for TCE.
- Matching and cost sharing are used interchangeably and refers to the funds not directly borne by the federal government.
- Grant recipients are responsible for ensuring documentation is maintained on all matching funds covered by the grant.

Definitions to Review

- ***Grant recipient or recipient*** – Organization receiving financial assistance directly from a federal awarding agency to carry out a project or program.
- ***Sub-recipient*** – Legal entity receiving award from grant recipient and accountable to the recipient for the use of the funds.
- ***Third party in-kind contributions*** – Refers to the value of non-cash contributions provided by non-federal third parties.




12/1/2009 3

Third party in-kind contributions – May be in the form of equipment, supplies, goods or services that directly benefit the VITA program.

Definitions to Review (Cont'd.)

- **Federal funds** – Funds provided by the federal government may be in the form of cash, equipment, supplies, goods or services
- **Non-federal funds or non-federal share** – Funds used to support the program that are not borne by the federal government




12/1/2009 4

- *Federal funds* – Refers to funds provided by the federal government and may be in the form of cash, equipment, supplies, goods or services. **Most federal funds are not eligible to be used as matching funds.** For example, the software IRS provides (TaxWise) and/or the equipment (laptops and printers) are considered federal funds. Another example is your IRS relationship manager. They are an IRS resource and could only be counted if not on the clock.
- *Non-federal funds or non-federal share* – Funds used to support the program that are not borne by the federal government. **It is extremely important that organizations understand the source of non-federal funds prior to their use as matching funds for this grant.**

Dollar-for-Dollar Match

- For each dollar of federal funds awarded, recipient must show a dollar of non-federal funds.
- All program expenditures must be allowable, necessary, reasonable, and allocable to the VITA program.



12/1/2009


Allowable expenses must be:

- Treated consistently - Charges should stay consistent among categories. Printer cartridges should not be considered a supply purchase one time and then considered an equipment purchase the next time.
- Net of applicable credits - Rebates or refunds that reduce the overall cost of an item must be considered. A computer purchased for \$600 but with a \$50 rebate should be charged at \$550.
- Not prohibited under federal, state or local laws - Federal funds cannot be used for lobbying. Use of the VITA grant funds for this purpose is prohibited.
- Conform to limits or exclusions - For instance, costs associated with outreach or asset building do not directly support VITA and would be excluded as matching.
- Consistent with recipient's policies, regulations and procedures - A good example is the reimbursement of expenses. Another might be the process where all purchases in the organization over \$250 require a second approval and/or signature.

Allocable to the grant - Limited to expenses/in-kind during the grant period of July 1, 2009 – June 30, 2010 and can be directly shown to benefit the VITA program. An expense that benefits more than one program is allocable when it can be distributed. For instance, two computers are purchased to staff a site where return preparation will occur 4 hours each day. The computers are used 6 hours each day to teach unemployed individuals new job skills. Forty percent of the cost could be allocated to the VITA program.

Dollar-for-Dollar Match (Cont'd.)

- **No requirement that matching equal by category of expense, e.g., personnel, fringe, or travel**
- **Excess non-federal funds provide a “safety net” in the event items are disallowed or considered ineligible**



12/1/2009 6

Talking points continued from previous slide:

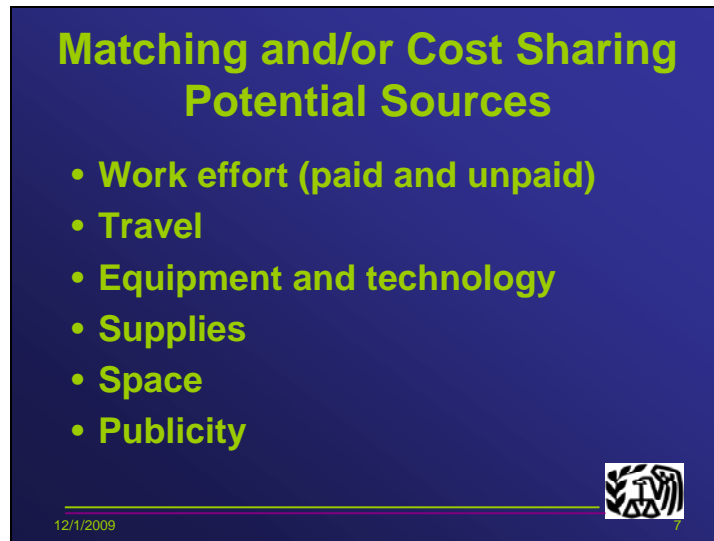
Reasonable – The cost should be such that a prudent person would find acceptable. The purchase of a computer costing \$4,000 would not be reasonable to the VITA grant. Software requirements for tax return preparation are limited and do not require the latest technology. Paying \$20 for a pen is not reasonable. When making purchases consider perception. For instance, contracting a family member of your organization's president for all publicity could be perceived that the president had undue influence on the decision. Clear documentation comparing comparable services should be completed and only if the facts clearly and strongly support the decision should you proceed with the contract.

Necessary - It should be one that would limit your program from delivering its objective if not incurred. For example, computers are necessary to an e-file program; however, a computer that costs \$3,000 is not a reasonable expense because a prudent person can find one for less that will still meet the program's needs. A copier might be a reasonable expense and its use 50% of the time in the VITA program could be allocable; however, it may not be necessary if using shared space with access to a copier and per copy or bulk copying is available. Evaluate the situation in deciding whether it is in the best interest of the program to purchase the copier or pay for copies.

Talking points for current slide:


Total Match - There is no requirement that the matching agree by category of expense, e.g., personnel, fringe, travel, equipment, etc. Only that total non-federal equal or exceed the federal funds awarded. For example, if you use federal funds to pay travel, equipment and supplies totaling \$7,000, the match could be in salaries and equipment. All that matters is that the total matching equals or exceeds the federal funds expended.

Excess Match - Excess non-federal funds should be included in reporting if available. This provides a “safety net” in the event a portion of the funds are disallowed or considered ineligible. For example, if you received \$25,000 in grant funds, but have documentation to show you spent or received in-kind contributions totaling \$50,000, report the \$50,000 as non-federal funds expended. In the event one of the expenditures and/or in-kind contributions is questioned, there is a potential that the non-questioned funds will cover.



**Matching and/or Cost Sharing
Potential Sources**

- **Work effort (paid and unpaid)**
- **Travel**
- **Equipment and technology**
- **Supplies**
- **Space**
- **Publicity**

12/1/2009 


Examples that support the VITA program include such items as:

- Work effort (paid and unpaid) – the time individuals contribute to the program. These can be volunteers or paid staff.
- Travel - the monies spent for someone to travel to a program event, or an in-kind contribution.
- Equipment and technology
- Supplies
- Space
- Publicity

As always, items must be necessary, reasonable, and allocable to the VITA program. You must have documentation for the match. Become familiar with the cost principles that apply to your organization.

**Documentation Required for
Matching Funds**

- **Source of funds**
- **Must be able to verify expense**
- **Personnel (whether paid or unpaid)**
- **In-kind matches should include valuation method**
- **Follow administrative requirements and GAAP for recordkeeping/recording**




12/1/2009

- Source of funds - deposit, grant agreements, budget, etc.
- Verification of expenses or in-kind contributions includes, but is not limited to, payroll records, invoices, time sheets
- Personnel (whether paid or unpaid) records must include:
 - Identifying information
 - Daily time sheets that show time attributed to VITA program and time not attributable to VITA
 - Valuation method (salary or other)
 - Alert! Students who receive class credit and/or volunteer to prepare tax returns as a requirement for graduation may not be counted as match.
- In-kind matches must be verifiable. Records of the recipient and/or sub-recipient should include:
 - Description of item
 - Value
 - Valuation method
 - Other
- Follow administrative requirements and GAAP for recordkeeping/recording

In-Kind Contributions

- Recipients provide expensed matching contributions
- Sub-recipient or other organizations may provide in-kind contributions
- Ensure valuation is fully captured in the records
- IRS Publication 561, *Determining the Value of Donated Property*, may be a good reference tool




12/1/2009 9

- Recipients provide matching through the expenses they incur; they are not considered in-kind contributions; they can all be shown as an expense whether it is employee salary, supplies, or space. The recipient may receive an in-kind contribution.
- In-kind contributions can only be counted as matching when the contribution is an allowable item for the program. For example, the time of individuals that establish bank accounts for the taxpayers is not an allowable match as it does not directly support the VITA program.
- Values of recipient contributions of *services and property shall be established in accordance* with the applicable rules and regulations.
- Unrecovered indirect costs may be included as part of cost sharing or matching only with prior approval. If already covered in the budget, okay; but would need to ask if plan to use after the revised budget is submitted.
- Sub-recipient or other organizations may provide in-kind contributions.
- Ensure valuation is fully captured in the records. Examples of supporting documentation might include;
 - Supply catalog or advertisements for valuing supplies,
 - Department of Labor data for valuing work effort, and
 - Rental agreement or other comparables for space.
- IRS Publication 461, *Determining the Value of Donated Property*, is a useful reference tool.

Use Only One Time for Match

Non-federal funds used as match on another federal grant cannot be used on a different federal grant

- **Cash**
- **Volunteers**
- **Equipment or supplies**




12/1/2009 10

- Non-federal funds used as match on another federal grant cannot be used on a different federal grant. Example - Space used for LITC and used as match cannot be used for VITA as match unless it is prorated between the two.
- Funds are not limited to cash. Matching funds may include salaries and volunteer time. An individual performing both VITA and LITC activities cannot count their time under both unless it is allocable.
- Equipment or supplies (computers shown as 100% use on another grant) cannot be used on a different grant – need to be prorated.

Federal Funds as Match?


- Generally – not allowed
- Federal funds retain their identity throughout their use and may be other than cash
- ***Know the source!***



12/1/2009 11

- Federal funds retain their identity throughout their use and may be other than cash.
 - State, city and county governments
 - Colleges and universities
 - Other non-profit organization
 - Computers and software provided by IRS
- ***If purchased in a prior year using federal grant funds, it is still considered federal funds in its second year of use.***
- ***Know the source!*** It's okay to ask. Better to know up front whether the funds can be used for match.
- ***If federal funds*** and the grantor (provider) is telling you they can be used as match for other federal grants, **confirm.**
 - Contact the original grantor
 - Contact the IRS grant program office

Federal Funds that Can/Cannot be used as Match		
Examples of funds we've researched:		
Item	Federal Funding	Eligible
1	Self-Determination and Education Assistance Act awards to Indian Tribal governments	Yes
2	Community Development Block Grant (CDBG)	Yes, with limitation
3	TCE and Low Income Taxpayer Clinic (LITC)	No
4	Community Services Block Grant (CSBG)	No



12/1/2009 12

1. Self-Determination and Education Assistance Act awards to Indian Tribal governments
2. Community Development Block Grant (CDBG) – Yes, with limitation. Limited to low income as defined by the CDBG grantor.
3. TCE and LITC – Not allowed
4. Community Services Block Grant (CSBG) – Not allowed
5. Corporation for National and Community Service (AmeriCorps and VISTA) – Not allowed

The determination as to whether a grant can be used as match must be statutory. It is not a decision that IRS makes for other grants.

Questions??

- Check out VITA Grant reference materials (Publication 4671, FAQs) on IRS.gov
- Contact your assigned tax analyst
- Contact the Grant Program Office:
404.338.7894
grant.program.office@irs.gov

